



County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

November 12, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

WORKERS' COMPENSATION CLAIMS THIRD PARTY ADMINISTRATION SERVICES CONTRACT – (3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve, and instruct the Chair to sign, the attached contract for workers' compensation claims third party administration services with Intercare Insurance Services (Intercare) for the period from January 1, 2004 through December 31, 2008; with a first-year cost of \$6,760,700.
2. Find that the services provided under this contract are more economically performed by the contractor rather than by County of Los Angeles (County) employees (Attachment 1).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current workers' compensation claims third party administration (TPA) contract with Crawford & Company expires December 31, 2003. A Request for Proposal (RFP) for workers' compensation claims TPA services was issued on June 2, 2003, to replace the services of Crawford & Company. Crawford & Company adjusts approximately 25% of the County's workers' compensation claims. Four proposals were received and evaluated and the highest-ranked proposer was Intercare.

Board of Supervisors
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First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

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Implementation of Strategic Plan Goals

The workers' compensation claims TPA services to be provided by Intercare promote and further the Board-approved County of Los Angeles Strategic Plan goals of:

- Workforce Excellence by providing timely and effective services to injured County workers that facilitate their expeditious and successful return to productive work;
- Organizational Effectiveness by ensuring workers' compensation services are delivered efficiently and effectively; and,
- Fiscal Responsibility by enhancing claims administration cost-effectiveness.

FISCAL IMPACT/FINANCING

The first-year cost of this contract is \$6,760,700. Subsequent years' costs could increase by the lesser of either the general movement in County employee salaries or the Consumer Price Index. If no general movement in County employee salaries occurs within a contract year, Intercare will not be granted a fee increase. Furthermore, annual service fees are subject to a reduction of \$65,000 whenever Intercare reduces, below the expected claim count, the number of open claims by 175 claims enabling Intercare to reduce staff. Conversely, service fees are subject to a \$65,000 increase for each increase of 175 new claims above the expected claim count based on past claim trends. The contract contains financial performance incentives that place Intercare's fees at risk for poor performance and could reward Intercare for above-expected performance. Lastly, the contract contains a provision that requires a reduction in service fees should the Los Angeles Superior Court withdraw from the County's workers' compensation administration system.

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The new contract costs approximately 47% more than the expiring contract. The reasons for the increase are:

1. The number of claims to be adjusted under the contract has increased 24% since the contract was last bid in 2000. County's claims are remaining open longer, consistent with recent statewide experience as documented by the Workers' Compensation Insurance Rating Bureau. This is primarily caused by the treating physician presumption of correctness provision of the California Labor Code and the increase in permanent disability ratings.
2. Based on salary data collected from all proposers in the solicitation process, salaries for workers' compensation claims adjusters increased 12% to 18% since 2000.
3. This contract contains a significant enhancement that requires Intercare to employ a Quality Assurance Monitor.

Overall, Intercare was the highest-ranked proposer. In the process applied to evaluate each proposer, price was the highest-weighted component at 30% of the overall score. The proposed prices ranged from \$6,002,456 to \$7,886,070. The evaluation process, also, considered many factors other than price. These other factors were proposer's: statement of work, including staff experience and training; experience and capability; quality control plan; acceptance of terms and conditions; transition plan; and, customer service. Intercare's proposal exceeded others in the area of staff experience where Intercare's requirements for years of experience exceeded RFP requirements. Additionally, Intercare scored high in customer service as confirmed by our reference checks of Intercare's current customers. Intercare's customers related a high level of client satisfaction. During the presentation portion of the RFP process, Intercare provided a detailed and systematic plan for correcting deficiencies. After consideration of all rating factors, the evaluation committees determined Intercare would provide the most cost-effective service to the County.

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FINANCING

Costs for this contract will be paid by the County's Workers' Compensation Trust Fund.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Under County Code section 5.31.050, the Director of Personnel is authorized to administer a complete workers' compensation system. On July 30, 2002, the Director of Personnel delegated this authority to the Chief Administrative Officer.

This contract has been approved as to form by County Counsel.

The County may terminate the contract if sufficient funds are not available.

The Community Business Enterprise (CBE) information form is shown as Attachment 2. None of the proposers are a CBE. However, Intercare was selected without regard to gender, race or creed.

CONTRACTING PROCESS

The CAO Risk Management Branch issued a RFP for workers' compensation claims TPA services on June 2, 2003.

The RFP was posted on the County's Website (Attachment 3). An Invitation to Submit Proposal was mailed to a list of 165 vendors including 19 vendors from the Office of Affirmative Action Compliance, County-certified CBE participating vendors listing. The proposal was advertised in the *Los Angeles Times*, *Los Angeles Sentinel*, *La Opinion*, and *Acton/Agua Dulce* newspapers.

A proposers' conference was held on June 16, 2003. Nineteen companies attended that conference. Four proposals were submitted by the July 14, 2003, due date.

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The RFP process involved three evaluation phases:

- The Minimum Requirements Phase was conducted by CAO staff and consisted of a verification of all minimum requirements described in the RFP.
- The second phase, the Technical Review Phase, conducted on July 30, 2003, consisted of a technical review that included a financial capability assessment by the Auditor-Controller and an evaluation by a Technical Review Committee. The Technical Review Committee consisted of staff from the Department of Parks and Recreation, the Fire Department, and CAO staff possessing workers' compensation expertise. During this phase, one proposer was eliminated, and the remaining three proposers were invited to make oral presentations during the third and final phase of the evaluation process.
- The third and final phase conducted on August 12, 2003, by an Executive Evaluation Committee comprised of department executives from the Department of Human Resources, the Fire Department, and Internal Services Department. This phase consisted of oral presentations from the three remaining proposers, as specified in the RFP.

Following the third phase, scores from the second and third phase evaluations were combined. Intercare's proposal attained the highest score. As determined by the evaluation committees, Intercare's proposal would provide the County and its employees the best combination of service and cost.

This contract is a Proposition A contract and the Proposition A cost analysis demonstrates continued cost-effectiveness by utilizing the services of a TPA. The Proposition A analysis is shown in Attachment 1. The contract should generate first-year Proposition A savings to the County of \$695,446. The Auditor-Controller validated the accuracy of the computation of estimated cost savings.

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The CAO evaluated and determined that Intercare fully complies with the requirements of the Living Wage program (County Code Chapter 2.201) and agrees to pay a living wage to its employees providing County services.

After proposers were notified of their rankings, the proposers attended debriefing sessions with CAO staff. Two of these proposers submitted appeals of their companies' rankings. On October 16, 2003, an appeals panel convened to hear the appeals and determined the original rankings were correct. The appeals panel report can be found in Attachment 4.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

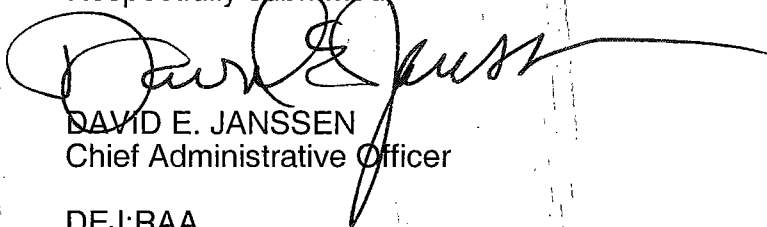
None; approval of this contract provides for the continuation of existing services.

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CONCLUSION

Please sign three copies of the attached agreement and return two copies to the CAO Risk Management Branch, attention Rocky Armfield, County Risk Manager.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:RAA
CSS:AMR:mtm

Attachments

c: County Counsel
Auditor-Controller

PROPOSITION A CONTRACTING
WORKERS' COMPENSATION THIRD-PARTY ADMINISTRATION AGREEMENT
COMPARISON OF ESTIMATED AVOIDABLE COSTS TO THE COST OF CONTRACTING

<u>COUNTY</u>		<u>COST OF INCREASE (DECREASE) FROM CONTRACTING</u>
<u>DIRECT</u>		
SALARIES	\$4,647,194	
EMPLOYEE BENEFITS	1,560,528	
TOTAL PERSONNEL COSTS		\$6,207,722
EQUIPMENT/SERVICES & SUPPLIES		873,515
OTHER (COUNTY OVERHEAD)		374,905
TOTAL DIRECT		\$7,456,142
<u>INDIRECT</u>		
TOTAL OVERHEAD	\$0	
TOTAL INDIRECT		\$0
TOTAL AVOIDABLE COST		<u>\$7,456,142</u>
		(\$7,456,142)
 <u>CONTRACT</u>		
<u>DIRECT</u>		
CONTRACT COSTS	\$4,548,000	
OTHER (CONTRACTOR OVERHEAD)	546,000	
EQUIPMENT/SERVICES & SUPPLIES	738,132	
OTHER (POSTAGE, TRAVEL, ETC)	333,564	
OTHER (CONTRACTOR PROFIT)	595,000	
TOTAL DIRECT		\$6,760,696
<u>INDIRECT</u>		
EMPLOYEE RETRAINING	\$0	
CONTRACT MONITORING	0	
OTHER (SPECIFY)	0	
TOTAL INDIRECT		\$0
TOTAL CONTRACT COST		<u>\$6,760,696</u>
		\$6,760,696
ESTIMATED SAVING FROM CONTRACTING		<u>(\$695,446)</u>

County of Los Angeles – Community Business Enterprise Program (CBE)

Request for Local SBE Preference Program Consideration and CBE Firm/Organization Information Form

INSTRUCTIONS: All proposers/bidders responding to this solicitation must complete and return this form for proper consideration of the proposal/bid.

I. LOCAL SMALL BUSINESS ENTERPRISE PREFERENCE PROGRAM:

FIRM NAME: _____

☒ **XX I AM NOT**

☐ **I AM**

A Local SBE certified by the County of Los Angeles Office of Affirmative Action Compliance as of the date of this proposal/bids submission.

☐ As an eligible Local SBE, I request this proposal/bid be considered for the Local SBE Preference.

My County (WebVen) Vendor Number : _____

II. FIRM/ORGANIZATION INFORMATION:

The information requested below is for statistical purposes only. On final analysis and consideration of award, contractor/vendor will be selected without regard to race/ethnicity, color, religion, sex, national origin, age, sexual orientation or disability.

Business Structure: ☐ Sole Proprietorship ☐ Partnership ☐ XX Corporation ☐ Non-Profit ☐ Franchise
☐ Other (Please Specify) _____

Total Number of Employees (including owners): **328**

Race/Ethnic Composition of Firm. Please distribute the above total number of individuals into the following categories: 31 employees declined to provide information regarding their race.

Race/Ethnic Composition	Owners/Partners/ Associate Partners		Managers		Staff	
	Male	Female	Male	Female	Male	Female
Black/African American				1	2	8
Hispanic/Latino			2	1	14	34
Asian or Pacific Islander				1	7	17
American Indian					1	
Filipino						4
White	9	2	11	15	44	117

III. PERCENTAGE OF OWNERSHIP IN FIRM:

Please indicate by percentage (%) how ownership of the firm is distributed.

	Black/African American	Hispanic/Latino	Asian or Pacific Islander	American Indian	Filipino	White
Men	%	%	%	%	%	75%
Women	%	%	%	%	%	25%

IV. CERTIFICATION AS MINORITY, WOMEN, DISADVANTAGED, AND DISABLED VETERAN BUSINESS ENTERPRISES:

If your firm is currently certified as a minority, women, disadvantaged or disabled veteran owned business enterprise by a public agency, complete the following and attach a copy of your proof of certification. (Use back of form, if necessary.)

Agency Name	Minority	Women	Dis- advantaged	Disabled Veteran	Expiration Date

V. DECLARATION: I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE ABOVE INFORMATION IS TRUE AND ACCURATE.

Print Authorized Name	Authorized Signature	Title	Date
Michael P. Ramser	<i>Michael P. Ramser</i>	Executive Vice President	July 16, 2003

ATTACHMENT 3

Award information has not been added at this time.

Bid Information

Bid Number : CAO01-033

Bid Title : Third-Party Workers' Compensation Claims Administration Services

Bid Type : Service

Department : Chief Administrative Office

Commodity : ADMINISTRATIVE SERVICES, ALL KINDS

Open Date : 6/2/2003

Closing Date : 7/7/2003 5:00 PM

Bid Amount : N/A

Bid Download : [Available](#)

Bid Description : The County of Los Angeles is issuing a Request for Proposals (RFP) for third-party workers' compensation claims administration services. Written questions regarding this RFP are due by June 12, 2003 no later than 12 noon. A Mandatory Proposers' Conference will be held on June 16, 2003, and proposals are due by 5:00 p.m., July 7, 2003.

Amendment Date : 6/5/2003 Part D

Download Available Part D

PDF 1306.42 K [PartD-Final.pdf](#)

Amendment Date : 6/5/2003 Part E - Pages 1 - 24

Download Available Part E - Pages 1 - 24

PDF 1047.93 K [PartEPages1-24.pdf](#)

Amendment Date : 6/5/2003 Part E - Pages 25 - 55 End

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PDF 2310.29 K [PartEPages25-55End.pdf](#)

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REPORT OF APPEAL COMMITTEE
County of Los Angeles
Request for Proposals for Workers' Compensation Claims Administration
June 2003

The County's Chief Administrative Office (CAO) received two appeals in regard to the aforementioned RFP from the following firms:

1. Cambridge Integrated Services Group, Inc., the second-ranked proposer, submitted an appeal in a letter dated September 15, 2003; and
2. Intercare Insurance Services, the first-ranked proposer, submitted an appeal in a letter dated October 3, 2003.

The Appeal Committee (Committee) convened on October 16, 2003, at 1:30 p.m., to hear and consider the concerns voiced by each firm and the responses hereto by the CAO.

The Committee consisted of the following members: Barbara Knighton, Department of Public Works, and Marion Figueroa, Department of Human Resources. Elizabeth Cortez, Principal Deputy County Counsel, and William Sias, Deputy County Counsel, represented the Committee.

Both appeals related to issues concerning Section 6.8.9, Financial Capability, which states in part:

Provide audited financial statements prepared by an independent Certified Public Accountant for the past three calendar years (2000, 2001, 2002). The financial statements shall pertain to the company that will be performing the services. If the company is, for example, a wholly owned subsidiary of a larger entity, provide financial statements of the subsidiary company, not that of the larger entity solely. The information should indicate that the proposer company can carry all costs for at least a 60 day period at any time during the contract term. If this is not possible, submit a letter from the parent company guaranteeing the negotiated contract resulting from this RFP. The letter must be submitted with this proposal.

Cambridge Integrated Services Group, Inc.

Shelley Temkin, Senior Sales Manager, represented Cambridge Integrated Services Group, Inc.

Ms. Temkin reiterated the issues stated in the appeals letter:

Cambridge requests that the County reevaluate the score Cambridge received for financial capability based upon our exemplary past performance and known sound financial structure and the fact that the certified financial statement is forthcoming.

Cambridge is willing and ready to post a Performance Bond as outlined in the letter to Cambridge from the County dated August 8, 2003.

She stated she understood the requirements stated in the RFP, attended the mandatory bidders' conference, and did not take issues with the RFP's description of the required documents or the selection process.

The CAO presentation stated that Cambridge received a zero in this category because it failed to submit independently audited financial reports for Cambridge for calendar years 2000, 2001, and 2002, pursuant to the provisions of the RFP or, alternatively, a letter of guarantee from the parent company by the proposal deadline. Cambridge submitted audited financial statements for its parent company, Aon Corporation, but did not include the letter of guarantee from the parent company as part of the proposal prior to the proposal deadline. The CAO stated that the willingness to post a bond does not raise the score for the proposer; it merely permits the highest ranked proposer to enter into a contract after it has been awarded.

Committee Finding

The Committee gave consideration to the presentation by Cambridge, the CAO, and a review of the RFP and other relevant documents and after deliberations reached the following consensus:

The Committee found that Section 6.8.9, Financial Capability, specifically states the requirement to submit independently audited financial statements and that the "financial statements shall pertain to the company that will be performing the services." Alternatively, a letter from the parent company guaranteeing the negotiated contract may be submitted with the proposal. Cambridge did not meet this requirement in their proposal prior to the proposal submission deadline. The willingness to post a bond does not meet this requirement and therefore does not affect the score for this factor.

The facts support the award of zero points for the Cambridge proposal in response to Section 6.8.9, Financial Capability of the RFP.

Intercare Insurance Services

Kevin Hamm, Richard Ryan, and Michael Ramser represented Intercare Insurance Services (Intercare).

Intercare reiterated their position stated in the appeal letter which requested a reconsideration of the rating under Section 6.8.9, Financial Stability, due to the investment policies and strategies of their company which is privately held. This position is summarized in the appeal letter as follows:

We assert the longevity of our business, our strength as a service provider, and our strong financial position should result in a scoring much greater than zero.

Intercare stated they had a clear understanding of the requirements of Section 6.8.9, Financial Capability of the RFP. Intercare also stated their proposal provided audited financial statements for one year only and unaudited financial statements for two additional years.


The CAO presentation stated that the Auditor-Controller assessed Intercare's financial stability as "weak" based on its analysis of the company's liquidity and profitability ratios on one year of audited financial statements. The Auditor-Controller was unable to base its evaluation of the company's financial condition on Intercare's unaudited statements because "unaudited financial statements do not necessarily include all disclosures required by generally accepted accounting principles."

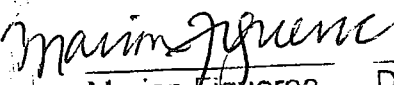
Committee Finding

The Committee gave consideration to the presentation by Intercare, the CAO, and a review of the RFP and other relevant documents, and after deliberations reached the following consensus:

The Committee found that Section 6.8.9, Financial Capability, specifically states the requirement to submit independently audited financial statements for three years. Intercare provided financial statements audited by a Certified Public Accountant for calendar year 2002 and unaudited financial statements for 2000 and 2001. Therefore, Intercare did not meet this requirement in their proposal.

The facts support the award of zero points for the Intercare proposal in response to Section 6.8.9, Financial Capability of the RFP.


Barbara Knighton 10/21/03
Date

 10/21/03
Marion Figueroa Date